

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**PINEHILLS WATER COMPANY, INC.  
D.T.E. 01-42**

**Second Set Of Information Requests By The Department**

Witness Responsible: Stephen B. Alcott

DTE 2-7      Refer to Exhibit SBA-1, Schedule 1. Please provide all workpapers, calculations, assumptions, etc. used as the basis of the Company's selection of a fire protection service charge of \$40.00 per quarter per customer.

**Response:**      **The proposed quarterly charge is based on the allocated cost of providing "public" fire protection throughout The Pinehills. This protection is equally available to all customers and therefore, it is proposed to recover the cost of this protection equally from all customers.**

**Calculation of the proposed quarterly charge begins with allocating 21.5% of the total requirement to fire protection service. This calculation is shown as STEP ONE on Schedule 3, Page 1 of 2. The allocation percentage is based on the generalized relationship between number of customers and percentage of total cost allocable to fire protection service set forth at page 56 of the AWWA Manual M-1 on water rates. For Pinehills at buildout, the allocation percentage is 21.5%.**

**The next step is to allocate fire protection costs between "public" and private fire service. This is shown as STEP FOUR on Schedule 3, Page 2 of 2 and is further described in the Company's response to Information Request DTE 2-8.**

**The final step is to calculate the charge per customer. This calculation is shown as STEP FIVE on Schedule 3, Page 2 of 2. The calculation yields a quarterly cost of \$36.84, which was rounded to \$40 as a reasonable initial rate. As indicated in the Company's response to DTE 2-6, this rounding will not create an over recovery of costs, since the proposed total revenue from rate revenues will be set to equal the allowed total**

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DTE 2-8      Refer to Exhibit SBA-1, Schedule 1. Please provide all workpapers, calculations, assumptions, etc. used to allocate the Company's fire protection service revenue requirement between General Fire Protection Service and Private Fire Protection Service.

**Response:**      **The allocation of fire protection service revenue requirement was based on the fire flow capacity associated with 138 "public hydrants" and 21 private fire connections, estimated at buildout. The number of public hydrants is part of the detailed design of the Pinehills water system. The number and sizes of private fire connections were estimated for rate making purposes. It was assumed that about one-quarter, or 21 of the 91 commercial users estimated in the plan, would request private fire protection service.**

**Supporting Workpaper WP-1, included in the initial filing, shows the development of capacity ratios for hydrants and connections by size. Hydrants have 6" diameter laterals; private fire service lines include 4" or less, 6", 8", 10" and 12" diameter connections. This workpaper shows the numbers hydrants and private fire connections and the calculation of the aggregate capacity for public and private fire service. The resulting percentage split, 86.39% public and 13.61% private, was used to calculate the dollar allocation, which is shown as STEP FOUR on Exhibit SBA-1, Schedule 3, Page 2 of 2.**

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DTE 2-15      Refer to Exhibit SBA-2, Schedule 1. Please provide all workpapers, calculations, assumptions, etc. used to derive the proposed \$2,500 adjustment for "Source of Water Supply Expenses."

**Response:**      **The proposed "adjustment" was not directly derived but is simply the difference between the estimated costs for the year ended 12/31/2000, and the estimated costs at buildout, which were derived as described below.**

**The approach taken for developing the Company's proposed initial rates, is based on estimating costs and customers at buildout, which avoids the high charges to early residents which would result under the more traditional method whereby rates are based generally on the costs, level of investment and number of customers existing at the end of a test year. The adjustment as proposed, is necessary to be consistent with the stated approach of determining a cost to provide water service at build out.**

**At the time of preparing the rate calculations, separate accounting for water system operation and maintenance had not been established. Data for year 2000 costs was extracted from Pinehills records and provided for use in this rate case. Overall cost estimates for operation and maintenance at buildout, including specific estimates for such items as power, chemicals and water testing, were provided by the design engineer. Three workpapers are attached, marked "Attachment for DTE 2-15 through 2-19" and set forth this data as used in the rate calculations.**

**Workpaper No. 1 sets forth the O&M expenses as projected in the Company's 10-year plan. Workpaper No. 2 sets forth the detailed basis for those projections. And Workpaper No. 3 sets forth the O&M expenses as estimated in the rate case calculations.**

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Witness Responsible: Stephen B. Alcott

DTE 2-16      Refer to Exhibit SBA-2, Schedule 1. Please provide all workpapers, calculations, assumptions, etc. used to derive the proposed \$86,600 adjustment for "Pumping Expenses."

**Response:**    **The proposed \$86,600 adjustment was calculated by subtracting the estimated costs for the year ended 12/31/2000, from the estimated costs at buildout. See Company's response to DTE 2-15 for additional explanation.**

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DTE 2-17      Refer to Exhibit SBA-2, Schedule 1. Please provide all workpapers, calculations, assumptions, etc. used to derive the proposed \$30,300 adjustment for "Purification Expenses."

**Response:**      **The proposed \$30,300 adjustment was calculated by subtracting the estimated costs for the year ended 12/31/2000, from the estimated costs at buildout. See Company's response to DTE 2-15 for additional explanation.**

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DTE 2-18      Refer to Exhibit SBA-2, Schedule 1. Please provide all workpapers, calculations, assumptions, etc. used to derive the proposed \$126,400 adjustment for "Transmission and Distribution Expenses."

**Response:**      **The proposed \$126,400 was calculated by subtracting the estimated costs for the year ended 12/31/2000, from the estimated costs at buildout. See Company's response to DTE 2-15 for additional explanation.**

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DTE 2-19      Refer to Exhibit SBA-2, Schedule 1. Please provide all workpapers, calculations, assumptions, etc. used to derive the proposed \$275,100 adjustment for "General & Miscellaneous Exp."

**Response:**      **The proposed \$275,100 was calculated by subtracting the estimated costs for the year ended 12/31/2000, from the estimated costs at buildout. See Company's response to DTE 2-15 for additional explanation.**

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DTE 2-20      Refer to Exhibit SBA-2, Schedule 1, "General & Miscellaneous Exp." Please explain why the meter reading and billing expense of \$9,600 has apparently been omitted from the total general and miscellaneous expense of \$283,200.

**Response:**      **The spreadsheet formula which calculates total general and miscellaneous expense was inadvertently defined to begin on the row below meter reading and billing expense. The total O&M, as well as the proposed revenue requirement, should be increased by this amount. (It is noted that meter reading and billing expense was inadvertently omitted from all of the column totals on Schedule 1.)**

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